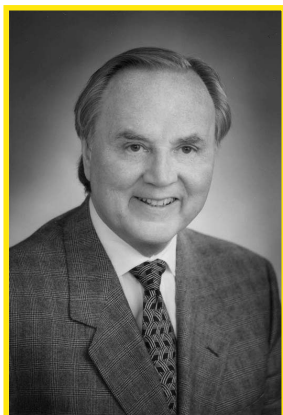


California Board of Accountancy

President's Message



Baxter Rice
President

Typically, the President's Message discusses a topic of interest to members of the profession. Before doing so, however, I want to invoke a point of personal privilege.

During the past year, it has been my pleasure to work with the California Board of Accountancy as President. Every year the Board selects a new leader to carry on the traditions of public service to the people of California, including you, the more than 61,000 CPAs and PAs. What was unusual this year is that the Board (composed of six members of the profession and four "public" members) selected a public member to serve as President.

I think it is fair to say that the licensed profession takes for granted the fact that at one time or another the Governor chooses members of the profession to work with the Executive Branch to help shape the future of the profession and to protect the public by enforcing the laws relating to the accounting profession.

What is less known or understood is that there are also non-CPA/PA members appointed to the Board by the Governor, the Speaker of the Assembly, and the President pro Tempore of the Senate. Currently, there are four such

members on the Board. These members bring a wealth of knowledge and experience to the table. One is a former state legislator and former Member of Congress, another is a practicing attorney, and the two remaining members are management consultants with differing backgrounds. All these Board members bring a strong interest in public service and together with the professional members work diligently to further the public interest.

Moreover, many members of the profession donate enormous amounts of personal time to various committees and task forces assisting the Board to discharge its responsibilities. The Board and the public owe a special debt to these volunteers for their service.

Now to discuss one of the ways the Board is working to discharge its responsibilities.

It's no secret that the Internet has impacted all professions, including the accountancy profession. Among its many benefits are ready access to information and ease of communication. This is certainly true at the California Board of Accountancy.

Today, consumers increasingly want more information. They want the ability to check on the status of a practitioner's license. They want information about how to select a CPA or a PA. They want to know how to file a complaint against a licensee or the Board, and they want the means to do it. All of this is now available through our Web site. The newly-added License Lookup feature on our Web site has received a lot of traffic. During June and July 2000, more than 8,500 e-visitors checked on the status of a license, including disciplinary actions within the last seven years.

(Please see President's Message, continued on page 2)

Update

Mission Statement

The mission of the California Board of Accountancy is to protect the public welfare by ensuring that only qualified persons are licensed and that appropriate standards of competency and practice are established and enforced.

Vision Statement

It is the vision of the California Board of Accountancy to become the premier regulatory agency that operates with maximum efficiency, fosters continuous quality improvement, and provides exemplary consumer protection while recognizing the changing consumer demographics and nature of services provided by licensed professionals.

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President's Message (continued from page 1)

Licensees and licensing applicants want access to program information, as well as an easy way to get the forms they need to conduct their business with the Board. Our Web page is designed to assist new licensees because all initial licensee registration information and forms are available on our site. For current licensees, the "Change of Address" form is probably the one they request the most often; it's just one of a total of 16 such forms currently offered. Right now, the forms are downloadable, but we hope to have interactive capabilities in the near future in which the form can be filled in online, then electronically submitted to the Board.

Probably the most frequent visitor to our Web site is the CPA Examination applicant. Our first-in-the-nation online exam application form is now the method applicants prefer. As an example, for the May 2000 exam, of the 9,814 examination applications received, 6,926 were submitted online — more than 70 percent of the total applicants. Not only did the online technology save time and give us information we could easily enter into a database, but it also saved the Board more than \$33,000 in postage for this exam cycle. Clearly, the online application process benefits both the applicant and the Board staff.

We have been asked about the future of the Uniform CPA Examination being computerized. As ours is a national exam, so is the effort to computerize it. California has been a key participant in the Joint AICPA/NASBA Computerization Implementation Committee (CIC), holding a seat on the committee from 1995 until early 2000. The Board remains active in the transition to a computerized exam, which the CIC forecasts will be achieved in 2003. The CPA exam, when computerized, would be administered through a secure testing site — a formal testing center — not through a candidate's personal computer. One of the greatest benefits would be that the test would be available on a regular basis during the year, not just during a two-day period in May and November, as is the current practice.

So, what are our other Internet plans for the future? Besides a computerized examination and interactive forms, payment of fees using credit cards online are a part of the picture. Facilitating the exchange of information, assisting consumers to make informed choices in the marketplace, communicating time-sensitive information, encouraging two-way dialogue, and making it as easy as possible for the business of the Board to be conducted — these are our strategic objectives. Electronic communication is making it possible for us to reach these objectives in ways simply not achievable just a few years ago. As in all the endeavors of this Board, we will strive to be as effective and as responsive as we can in our relationships with all of our stakeholders.



Baxter Rice, President

Issues of Interest

to the Consumer and the Practitioner

News to You

Exam and Licensure Fee Changes

Because of rising costs, the Board is proposing to increase the fees charged to exam and licensure applicants. The fee for each of the four parts of the Uniform CPA Examination would increase from \$25 to \$31 on July 1, 2001, and to \$45 on July 1, 2002. This change is necessary to cover the higher costs of the examination. Also due to greater costs, the one-time fee for processing the application for the CPA license would be raised from \$200 to \$250, commencing on July 1, 2001. The Board is mandated by statute to charge fees for exam and license issuance that are commensurate with the actual costs of providing these services. See page 11 for the regulation hearing notice related to these fee changes.

Legislation on Practitioner/Client Privilege

The Board is supporting Assembly Bill 1016 by Assembly Member Briggs. This bill conforms California law with federal law in regard to client/tax practitioner privilege. It is the Board's view that consumers will benefit from the right to obtain tax advice in confidence. This bill extends privilege not only to Board of Accountancy licensees, but also to Enrolled Agents and tax preparers. AB 1016 was introduced in 1999 and is a "two-year" bill. If enacted, AB 1016 will become effective January 1, 2001.

Peer Review Recommendation

The Board has adopted recommendations developed by the Peer Review/Attest Firm Task Force to require a peer review for all firms providing audit and review services ("attest firms"). Firms issuing compilations as their highest level of service would continue in the Report Quality Monitoring Program and would not be required to undergo peer review. Under the Task Force's proposal, existing attest firms would be "grandfathered." New firms that wish to provide attest services would be required to employ at least

one person with qualifying attest experience and to complete a peer review within one year. These recommendations, adopted at the July 2000 meeting, will be incorporated into the Board's *2000 Sunset Review Report*.

Study of the Auditing Process

Also at the July Board meeting, the Board developed comments on a major study of the auditing process prepared by the Panel on Audit Effectiveness. The Panel was organized by the AICPA's Public Oversight Board at the SEC's request. The Board's comment letter expressed support for recommendations to improve the conduct of audits and to strengthen the Public Oversight Board. The Board's letter also emphasized the distinction between private oversight by a professional membership organization such as the AICPA and regulation by government agencies created by legislation to serve the public interest. The Board noted that to ensure consumer protection, it is essential that the discipline of auditors and firms that fail to comply with professional standards remain the responsibility of the SEC and state boards. The full text of the *Panel on Audit Effectiveness Report* is available at www.pobauditpanel.org.

Sunset Review Report

The Board has approved a draft version of its *2000 Sunset Review Report*. The report includes extensive statistics about the Licensure and Enforcement Programs, and it includes in-depth responses to 28 policy issues, as well as proposed statutory and regulatory changes related to the Uniform Accountancy Act and peer review.

The final *2000 Sunset Review Report* is scheduled for adoption at the September 22, 2000, Board meeting. It will then be provided to the Legislature by September 29, 2000. Proposed statutory changes within the report may be introduced as legislation in 2001, with an effective date of January 1, 2002.

What's in the Board's Jurisdiction — and What's Not?

“Can you help us?” “Can you do something about this?” “Is this right?” These requests for consumer assistance are expressed in the telephone calls and complaints received regularly by the Board's Enforcement Division. The answers to these questions, however, depend on whether the facts and circumstances presented include matters that fall under the jurisdiction of the California Board of Accountancy.

The Board's jurisdiction is spelled out by the California Accountancy Act, found in the California Business and Professions Code, Division 3, Chapter 1, and additionally in Board regulations contained in the California Code of Regulations, Title 16, Division 1. The code and regulations are the foundation for the Board's authority to discipline a licensee. Most disciplinary actions are based on acts of unprofessional conduct committed within the practice of public accountancy.

Common types of complaints received by the Enforcement Division involve retention of client records, tax return errors, substandard financial statements, failure to perform agreed upon procedures, preparation of false documents, and theft. In most investigations, a staff Investigative CPA will be the first person to contact a licensee or complainant. This investigator will review the allegations and response of the licensee, then gather information and evidence regarding the complaint.

At the completion of an investigation, a written report summarizing the allegations, information, and evidence is presented for review and case resolution. Based upon conclusions reached, a complaint may be closed — or a licensee may be subject to assignment of continuing education, a citation and fine, or the filing of an accusation with the Attorney General.

The California Board of Accountancy has legal jurisdiction over a California licensee's public accountancy services regardless of where the public accounting services are performed. As a result, work performed out of state by a California licensee is subject to investigation and disciplinary action pursuant to the Board's prosecutorial discretion. The Board has adopted guidelines for staff to reference when making decisions about whether to pursue complaints

involving out-of-state work. These guidelines include determining whether:

- The engagement agreement was reached in California.
- The complainant had facilities in California that were material to the engagement.
- The licensee offers services in California similar to those that resulted in the alleged violation.
- Portions of the engagement were performed in California and, if so, the significance of the work performed in California.
- Systemic problems within a firm were identified.
- California consumers were harmed.
- The risk of ongoing harm to California consumers is present.

Even though a consumer may have an area of concern, the matter may not be within the Board's enforcement jurisdiction, despite possible appearances to the contrary. For example, fee disputes are a common complaint but are not subject to the Board's enforcement jurisdiction. These are matters resolved by the consumer and the licensee, without the Board's involvement, through negotiation, arbitration, or civil action. In addition, disputes arising between licensees and their business or investment partners will not ordinarily fall within the Board's jurisdiction, unless there is evidence to support fraud, fiscal dishonesty, or a breach of fiduciary responsibility on the part of the licensee.

So, when the Board's Enforcement Division is asked to “do something about it,” the first task is to consider the specific facts and circumstances, and confirm whether jurisdiction is present. No matter how compelling a complaint, jurisdiction must be established on the basis of the statutory and regulatory authority granted to the Board.

Enforcement staff members are available by telephone at (916) 263-3968 to discuss potential complaints. Questions may be e-mailed to staff at enforcementinfo@cba.ca.gov. Additional information regarding the enforcement process, including complaint forms, can be obtained from the Board's Web site at www.dca.ca.gov/cba. ❖



California Board of Accountancy

What's New at www.dca.ca.gov/cba

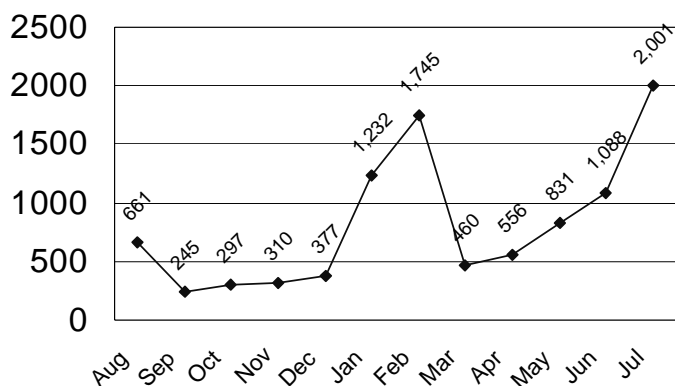
It's a Hit - Over 100,000 "Hits" to our Web site in one month!

As we anticipated from the beginning, our Web site has become a valuable tool to electronically disseminate and collect information, allowing the California Board of Accountancy to better serve the public and its licensees. In July we received 116,807 hits to the Board's Web site. A "hit" is counted each time a user requests a page of information on our Web site.

As reported in *Update*, Issue #43, we experienced an increase of more than 230% in our monthly Web visitor "hits" from August 1998 through August 1999. During this next 12-month period — August 1999 through July 2000 — the Board's Web site has experienced another increase of 365% in monthly visitor hits. Since coming online in May 2000, the Web License Lookup feature is receiving more than 4,400 hits per month. The Examination Information area continues to be the most visited area of the Board's Web site, and this activity accounts for the peaks in February and July in the charts below.

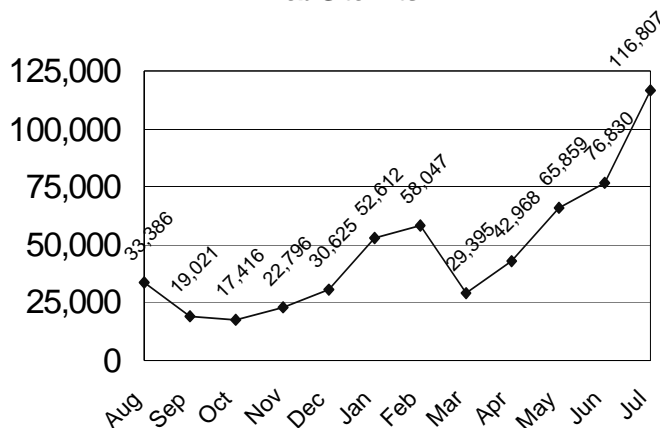
August 1999 - July 2000

Web Site E-mail Requests



Not surprisingly, the e-mail requests coming in from our Web site also have increased 348% for the same period. The Board's staff currently handles over 1,700 e-mail questions each month. Each e-request is routed to the expert in that subject area for a response. Our Web Page Master tracks each question and continually looks for ways to better present the information on the Board's Web site. From these questions, we are putting together a list of FAQs (Frequently Asked Questions) for each area within the Board, and we plan to add this list of questions and answers to the site in the near future. Additionally, we have a project in process to add renewal information and related forms.

Web Site Hits



The Board's original Web site was made up of 14 Web pages of information. A Web page is much like a chapter in a book and can be several written pages long. Just over two years later, we now have 100 Web pages, or chapters, of information.

The maintenance effort on a Web site of this size is significant and we continue to encourage your comments and suggestions. Please feel free to contact our Web Page Master, Ms. Holly Hansen, at pagemaster@cba.ca.gov. ♦

Forms Available on the Board's Web Site

The table below lists the forms currently posted on the Board's Web site. All forms are available in Portable Document Format (PDF), meaning they can be viewed and printed. Viewing a PDF form requires the installation of Adobe Acrobat Reader, free software available through our Web site.

Of Importance to the Consumer	Of Importance to the Licensee
Complaint Regarding Board Complaint Regarding Licensee	Change of Address Name Change Certificate Replacement Request
Of Importance to the CPA Examination Applicant	Of Importance to the CPA Licensing Applicant
Change of Site Request Exam Candidate Address/Name Change Exam Hardcopy Application Request Online Exam Application Out-of-State Form Request for Accommodations	Application and Instructions Certification of Grades Check Sheet Continuing Education Reporting Criminal Conviction Disclosure Fingerprinting Packet Request Form E - Certificate of Experience Waiver of Practice Rights

Licensing Fee Change, Effective July 1, 2000

If you have received your license renewal form as of July 1, 2000, you will notice that the renewal fee has been restored to \$200.

After fee reductions from \$200 to \$175 in 1995, then to \$100 in 1996, and finally to the \$50 level in 1998, the fee is back to its original level. Fees were lowered during this four-year period to bring the Board to mandated Accountancy Fund reserve levels. The Board's strategy to reduce the Accountancy Fund reserve through temporarily lowering initial permit and biennial renewal fees met with such success that it was necessary to restore these fees to the

level that existed prior to implementing the reserve reduction plan.

As the Accountancy Fund reserve is close to mandated levels, it is necessary to strive for a correct balance between revenues and expenditures. Therefore, initial permit and biennial renewal fees are now set at \$200.

While the \$200 renewal fee will remain in effect at this point, it has been determined that the \$200 for the initial permit fee is inadequate to meet the administrative costs of issuing the certificate to practice. The Board proposes to increase this fee to \$250.

A regulation notice to that effect is found in this issue of *Update*. In addition, the draft regulations propose to increase fees for certain elements of the Uniform CPA Examination. ❖

50/50 CE Requirement

Beginning July 1, 2001, licensees renewing in active status must meet a new “50/50” continuing education (CE) requirement. Simply put, to maintain active renewal status, a licensee must complete a minimum of 50 percent (or at least 40 hours) of the total of 80 required CE hours in the following technical subjects:

- Accounting.
- Auditing.
- Taxation.
- Consulting.
- Financial planning.
- Professional conduct.
- Computer and information technology (except word processing).
- Specialized industry or government practices focusing on maintenance and/or enhancement of public accounting skills and knowledge for competently practicing public accounting.

Licensees may claim up to 25 percent of their 50 percent technical CE requirement by writing published articles and books — if the publisher is not under the control of the licensee — by writing instructional materials for any qualifying CE program, and/or by writing questions for the Uniform CPA Examination.

Licensees who complete Government Auditing (GA) or Accounting and Auditing (A&A) continuing education as part of their renewal requirement may include GA and A&A courses as part of the 50 percent technical CE requirement.

Additionally, licensees may claim a maximum of 50 percent of the total required CE hours in the non-technical subjects below:

- Communication skills.
- Word-processing.
- Sales.
- Marketing.
- Motivational techniques.
- Negotiation skills.

- Office management.
- Practice management.
- Personnel management.

If more than 50 percent of CE is claimed in the above non-technical subjects, no credit will be granted by the Board.

A licensee who does not complete the 50/50 requirement will be unable to renew the license in active status. As a result, the licensee will lose the right to practice public accountancy until all renewal requirements are met and approved by the Board.

For more information, see Section 88 of the Accountancy Regulations. The Accountancy Regulations may be viewed on the Board’s Web site at www.dca.ca.gov/cba. ❖

Policy of Nondiscrimination on the Basis of Disability and Equal Employment Opportunity

The California Board of Accountancy does not discriminate on the basis of disability in employment or in the admission and access to its programs and activities.

An Americans with Disabilities Act (ADA) coordinator has been designated to coordinate and carry out this agency’s compliance with the nondiscrimination requirements of Title II of the ADA. Information concerning the provisions of the ADA, and the rights provided thereunder, is available from:

ADA Coordinator
California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, California 95815-3832

Meeting your PC&E Course Requirement

Since January 1, 1998, Professional Conduct and Ethics (PC&E) continuing education has been required for all active license renewals. This eight-hour course provides information on the provisions of the current Accountancy Act, the Board of Accountancy regulations, and other rules of professional conduct.

The PC&E requirement is being phased in over a six-year period. According to the timetable, one-third of the licensee population will meet the requirement in a specified two-year period, based on the last two digits of the CPA/PA license number.

- Practitioners whose license numbers end in the "01-33" range must have completed the initial PC&E course by their license renewal dates in 1998 or 1999, as applicable.
- Those whose license numbers end in the "34-66" range must meet the PC&E requirement by their license renewal dates in 2000 or 2001, as applicable.
- Licensees whose license numbers end in the "67-00" range must meet the PC&E requirement by their license renewal dates in 2002 or 2003, as applicable.

Please remember that only Board-approved courses satisfy the requirement.

A current list of Board-approved courses is available on the Board's Web site at www.dca.ca.gov/cba. This list is also available by faxing a request to (916) 263-3672 or by telephoning the Board's staff in the Renewal Unit. The telephone numbers are listed on the back page of this publication. ❖

Information

Each issue of *Update* contains important information about the public accounting profession, including notices of proposed hearings on regulation changes, Board and committee meetings, proposed new regulatory language, and topical information about enforcement, examination, licensure, and continuing education issues. For ease of reference, we suggest that after you receive and read *Update*, you place these issues in your professional library. For your convenience, all issues of *Update* since 1998 are also posted on our Web site at www.dca.ca.gov/cba.

What is a Rule 69 Review?

Under the Board of Accountancy Regulations, a Rule 69 review is an inspection by the Board or its representatives of documentation relating to a licensure applicant's fulfillment of the experience requirements set forth in Section 5083 of the Accountancy Act and Section 11.5 of the Board of Accountancy Regulations.

A Rule 69 review provides an employer the opportunity to demonstrate to the Certified Public Accountant Qualifications Committee (QC) an understanding of the Certificate of Experience or, as it is more commonly known, the Form E. This is the form filed by the employer in support of an applicant's applying for licensure as a Certified Public Accountant. In this process, the signer of the Form E appears before the QC with work papers supporting the affirmative answers on the Form E. The applicant is also invited to appear with the employer.

Rule 69 relates to the "audit" of the Form E. To fully understand why Rule 69 was adopted, it is necessary to know some of the background of California's experience requirement. Section 5083 requires minimum "professional accounting experience" before an individual can be licensed as a CPA in California. Section 11.5 of the Accountancy Regulations describes the kind of experience needed to meet the requirements of the Accountancy Act, Section 5083.

An employer may be asked to appear before the QC because there is a discrepancy or disagreement between the applicant and the employer as to the dates and/or type of work performed, the period of employment appears to be unduly short for the accomplishment of the tasks reported, or the Form E includes one or more of the following:

- Employment by a relative of the applicant.
- Designation by title of non-audit positions ("tax accountant," "management advisory services," etc.).
- Question as to the employer's ability to provide the audit experience being certified to (i.e., location of practice, territory it may cover, etc.).
- A significant amount of part-time experience or piecemeal experience among a number of dates or a number of employers.

The circumstances or factors described above are not in and of themselves violations of the Board's regulations, nor do they preclude an applicant from licensure. However, these circumstances may result in a Rule 69 review to further assess the applicant's qualifications and the substantiation for the employer signing the Form E.

Once a file has been selected, the applicant and the employer are notified of the deferral of the application. An appointment is then scheduled for the employer to present complete sets of work papers, including the resulting financial statements with accountants report as issued. It is understood that not all work paper sections may have been completed by the applicant under review. However, the QC needs to have the complete work papers to fully understand the applicant's overall involvement. While original work papers are preferred, legible photocopies of the entire audit/review work papers are acceptable.

The employer's documentation should include several different engagements in which the applicant has participated, as one engagement may not be sufficient to adequately demonstrate the applicant's abilities. The work papers presented should illustrate that the applicant has demonstrated an understanding of the requirements of planning and conducting an audit with a minimum of supervision, including issuing an opinion on full disclosure financial statements.

(Please see Rule 69, continued on page 10)

Following the interview, the signer of the Form E and applicant are notified of the results of the review. The QC will either recommend a certificate be issued or the applicant to obtain additional audit experience. If it is determined the firm's understanding of Rule 11.5 and the Board's Form E meets the Board's requirements, except in unusual circumstances, Forms E signed on behalf of their employees should not be subject to a Rule 69 appearance for a period of time. If the signer did not demonstrate an adequate understanding of the Form E, the firm is placed on a "reappearance" status requiring a subsequent appearance on behalf of the next applicant for which the firm submits a Form E.

Detailed information about the Rule 69 process is available on the Board's Web site at www.dca.ca.gov/cba. In addition, questions regarding this subject may be directed to staff by e-mail at licensinginfo@cba.ca.gov. ❖

Contributors to this Edition of Update

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Stephanie Hoffman
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Lynn Selfridge

Future 2000 Meetings

September 22, 2000

*Radisson Miyako Hotel
1625 Post Street
San Francisco, California 94115*

Board
Committee on Professional Conduct

November 2, 2000

*Marina del Rey Hotel
13534 Bali Way
Marina del Rey, CA 90292*

Administrative Committee

October 25-26, 2000

*Mission Inn
3649 Mission Inn Avenue
Riverside, California 92501*

Qualifications Committee

November 17, 2000

Los Angeles

Board
Committee on Professional Conduct

Board, committee, and task force meetings are open to the public.

Licensees are encouraged to attend.

For further information, please call the Board office at (916) 263-3680.

Regulation Notice

TITLE 16. BOARD OF ACCOUNTANCY

NOTICE IS HEREBY GIVEN that the California Board of Accountancy is proposing to take the action described in the Informative Digest. Any person interested may present statements or arguments orally or in writing relevant to the action proposed at a hearing to be held at the Embassy Suites Hotel, 9001 Airport Boulevard, Los Angeles, CA 90045 on November 17, 2000, at 1:30 p.m. Written comments must be received by the California Board of Accountancy at its office no later than 5:00 p.m. on November 16, 2000, or must be received by the California Board of Accountancy at the hearing. If submitted at the hearing, it is requested, although not required, that 20 copies be made available for distribution to Board members and staff. The California Board of Accountancy, upon its own motion or at the instance of any interested party, may thereafter adopt the proposals substantially as described below or may modify such proposals if such modifications are sufficiently related to the original text. With the exception of technical or grammatical changes, the full text of any modified proposal will be available for 15 days prior to its adoption from the person designated in this Notice as contact person and will be mailed to those persons who submit written or oral testimony related to this proposal or who have requested notification of any changes to the proposal.

Authority and Reference: Pursuant to the authority vested by Sections 5010 and 5018 of the Business and Professions Code and Sections 11400.20 and 15376 of the Government Code, and to implement, interpret or make specific Sections 122, 152.6, 163, 5018, 5070.5, 5079, 5100, and 5134 of the Business and Professions Code and Sections 11425.50(e) and 15376 of the Government Code, the California Board of Accountancy is considering changes to Division 1 of Title 16 of the California Code of Regulations as follows:

INFORMATIVE DIGEST/PLAIN ENGLISH POLICY STATEMENT OVERVIEW

1. Amend Section 5.1 of Division 1 of Title 16 of the California Code of Regulations.

Section 5010 of the Business and Professions Code authorizes the California Board of Accountancy to adopt regulations for the orderly administration of the Accountancy Act. Government Code Section 15376 requires that all state agencies which issue permits adopt regulations specifying time frames related to permit processing.

Section 5.1 specifies permit processing times for the California Board of Accountancy. Section 9.1, which went into effect on June 9, 2000, specifies requirements for Board approval of credential evaluation services. This approval process falls within the scope of the requirements of Government Code Section 15376. This proposal would amend Section 5.1 to add time frames related to Board approval of credential evaluation services. The objective of this proposal is to comply with the mandates of Government Code Section 15376.

2. Amend Section 70 of Division 1 of Title 16 of the California Code of Regulations.

Section 5010 of the Business and Professions Code authorizes the California Board of Accountancy to adopt regulations for the orderly administration of the Accountancy Act. Business and Professions Code Section 5134 specifies the maximum fees that may be charged by the Board and requires that the fees for certain activities including purchase and administration

of the Uniform CPA Examination and issuance of the CPA license be fixed by the Board in such a manner as to recover the actual costs of providing the services.

Current Section 70 provides for a \$25 fee for each part of the Uniform CPA Examination requested by the applicant. This proposal would increase that fee to \$31 commencing July 1, 2001, and to \$45 commencing July 1, 2002. The cost incurred by the Board in purchasing the examination will be increasing. The objective of the proposed revision is to fix this fee at an amount equal to the Board's cost of purchasing the examination in conformance with Section 5134.

Current Section 70 does not include the fee to be charged to exam applicants from other states who sit for the exam in California. This proposal would add a \$75 fee for these applicants. The objective is to provide a comprehensive fee schedule in Section 70.

Current Section 70 provides that the fee to be charged each applicant for issuance of the Certified Public Accountant certificate shall be \$200. This proposal would increase this fee to \$250 in keeping with actual administrative costs. The objective is to fix the fee at an amount equal to the estimated administrative cost of issuing the certificate in conformance with Section 5134.

3. Amend Section 93 of Division 1 of Title 16 of the California Code of Regulations.

Business and Professions Code Section 152.6 requires boards within the Department of Consumer Affairs to establish license renewal dates which evenly distribute the work load throughout the year. Section

(Please see Regulation Notice, continued on page 12)

5010 of the Business and Professions Code authorizes the California Board of Accountancy to adopt regulations for the orderly administration of the Accountancy Act. Business and Professions Code Section 5070.5 provides for renewal of individual and firm permits issued by the Board.

Current Section 93 provides for the renewal of the individual permit to practice, but does not provide for renewal of the firm permit. This proposal adds provisions related to renewal of the firm permit. The objective of this proposal is to enhance the clarity of Section 93 by adding a provision related to the renewal of firm permits.

4. Amend Section 98 of Division 1 of Title 16 of the California Code of Regulations.

Section 5010 of the Business and Professions Code authorizes the California Board of Accountancy to adopt regulations for the orderly administration of the Accountancy Act. Section 5018 of the Business and Professions Code authorizes the Board to adopt regulations related to rules of professional conduct. Section 11400.20 of the Government Code authorizes state agencies to adopt regulations to govern adjudicative proceedings. Section 11425.50 of the Government Code indicates that penalties in adjudicative proceedings cannot be based on a guideline unless the guideline is adopted as a regulation.

Current Section 98 was adopted in 1997 to incorporate the California Board of Accountancy's disciplinary guidelines by reference. Recently, the Board has revised its disciplinary guidelines to include guidelines for violation of additional statutory and regulatory provisions. This proposal updates Section 98 to incorporate by reference the revised disciplinary guidelines. The objective of this proposal is to update Section 98 and make it current in conformance with Government Code Section 11425.50.

FISCAL IMPACT ESTIMATES

- Fiscal Impact on Public Agencies Including Costs or Savings to State Agencies or Costs/Savings in Federal Funding to the State: Increased fees for exam and license issuance are necessary to enable the Board to comply with Business and Professions Code Section 5134 which mandates that the Board charge fees commensurate with the actual cost of providing these services.
- Nondiscretionary Costs/Savings to Local Agencies: None.
- Local Mandate: None.

- Cost to Any Local Agency or School District for Which Government Code Section 17561 Requires Reimbursement: None.
- Significant Adverse Economic Impact on Business: The Board has determined that the proposed regulatory action would have no significant adverse economic impact on California business enterprises and individuals, including the ability of California businesses to compete with businesses in other states.
- Impact on Jobs/New Businesses: The California Board of Accountancy has determined that this regulatory proposal will not have a significant impact on the creation of jobs or businesses or the elimination of jobs or existing businesses or the expansion of businesses in the State of California.
- Statement of Potential Cost Impact on Private Persons or Business Directly Affected: The Board is proposing to revise Section 70 related to fees for the Uniform CPA Examination and for issuance of the CPA license. The Uniform CPA Examination is a four-part examination. Under this proposal, candidates for the examination would be charged \$31 for each part during the period July 1, 2001, through June 30, 2002. This is an increase of six dollars per part compared with the current fees. Commencing July 1, 2002, the fee for each part would increase to \$45. This proposal also includes a \$75 fee for exam applicants from other states. Also, under this proposal, the application processing fee for issuance of the CPA license would increase from \$200 to \$250 commencing on July 1, 2001. These fee changes are necessary to ensure that the Board complies with Business and Professions Code Section 5134 which mandates that the Board charge fees commensurate with the actual cost of providing these services.

In addition, under this proposal, the Board would revise Section 93 to add a provision related to the payment of renewal fees by accountancy partnerships and corporations. This provision addresses the time frames for payment of renewal fees, not the amount of these fees.

- Housing Costs: None.

PLAIN ENGLISH REQUIREMENT

The California Board of Accountancy has determined that the proposed regulations would affect small businesses.

The express terms of the proposed action written in plain English are available from the agency contact person named in this notice.

CONSIDERATION OF ALTERNATIVES

The California Board of Accountancy must determine that no alternative which it considered would either be more effective in carrying out the purpose for which the action is proposed or would be as effective as and less burdensome on affected private persons than the proposal described in this Notice.

Any interested person may present statements or arguments orally or in writing relevant to the above determinations at the above-mentioned hearing.

STATEMENT OF REASONS AND INFORMATION

The California Board of Accountancy has prepared a statement of the reasons for the proposed action and has available all the information upon which the proposal is based.

TEXT OF PROPOSAL

Copies of the exact language of the proposed regulations and of the statement of reasons and other information, if any, may be obtained at the hearing or prior to the hearing upon request from the California Board of Accountancy at 2000 Evergreen Street, Suite 250, Sacramento, California 95815-3832.

AVAILABILITY AND LOCATION OF THE RULEMAKING FILE

All of the information upon which the proposed regulations are based is contained in the rulemaking file which is available for public inspection by contacting the California Board of Accountancy at the address indicated above.

CONTACT PERSON

Inquiries concerning the proposed administrative action may be addressed to Aronna Granick, Regulations Coordinator, at the above address or at (916) 263-3788.

TEXT OF PROPOSAL**5.1. Permit Processing Times.**

(a) Applications must be filed at the designated office of the Board in Sacramento on a form provided by the Board and must be accompanied by any required application fee as provided for in Section 70.

(b) The maximum period of time in which the Board will notify an applicant in writing that an application is complete and accepted for filing or deficient and if deficient what specific information or documentation is required to complete the application, is as follows:

- | | |
|---|----------------|
| 1) Examination - | 115 days |
| 2) Licensure - Individual - | 100 days |
| 3) Licensure - Partnership, Corporation - | 90 days |
| 4) Fictitious Names Approval - | 90 days |
| 5) Continuing Education Course/Provider Approval - | 120 days |
| 6) Renewal - | 45 days |
| 7) <u>Credential Evaluation Service Application -</u> | <u>45 days</u> |

(c) The maximum period of time, after filing of a complete application, in which the Board will notify an

applicant of the results of the certified public accountant examination is 225 days.

(d) During the last two years, the minimum, median and maximum permit processing times, of applications for examination, from the date of receipt of a completed application until the results of the examination are released were as follows:

Minimum	-	100 days
Median	-	150 days
Maximum	-	225 days

(e) The maximum period of time after the filing of a complete application in which the Board will notify an applicant of a permit decision is as follows:

- | | |
|--|-----------------|
| 1) Licensure - Individual - | 105 days |
| 2) Licensure - Partnership and Corporation - | 100 days |
| 3) Fictitious Names - | 100 days |
| 4) Continuing Education Course/Provider - | 120 days |
| 5) Renewal - | 45 days |
| 6) <u>Credential Evaluation Service -</u> | <u>150 days</u> |

(f) During the last two years the minimum, median and maximum processing times of applications for a permit from the date of receipt of the completed application until the first official action by the Board were as follows:

- | | |
|--|----------|
| 1) Licensure – Individual - Minimum - | 3 days |
| Median - | 97 days |
| Maximum - | 105 days |
| 2) Licensure – Partnership and Corporation | |
| Minimum - | 1 day |
| Median - | 25 days |
| Maximum - | 100 days |
| 3) Fictitious Names - | |
| Minimum - | 1 day |
| Median - | 25 days |
| Maximum - | 100 days |

- | | |
|--|----------|
| 4) Continuing Education Course / Provider Approval | |
| Minimum - | 1 day |
| Median - | 67 days |
| Maximum - | 120 days |

- | | |
|--------------|---------|
| 5) Renewal - | |
| Minimum - | 1 day |
| Median - | 14 days |
| Maximum - | 45 days |

(g) An application is considered complete when all requested information designated on the application form is received by the Board.

(h) The Board is not responsible for delays attributable to applicants in the form of application deficiencies or other factors beyond the Board's control which may impede the processing of applications.

NOTE: Authority cited: Business and Professions Code Section 5010, Government Code Section 15376. Reference: Government Code Section 15376.

(Please see Regulation Notice, continued on page 14)

Section 70. Fees.

(a) (1) Commencing July 1, 2001, the fees to be charged each California applicant for the certified public accountant examination, including each applicant for re-examination, shall be an application fee of \$60 and a fee of \$25 \$31 for each part of the examination requested by the applicant.

(2) Commencing July 1, 2002, the fees to be charged each California applicant for the certified public accountant examination, including each applicant for re-examination, shall be an application fee of \$60 and a fee of \$45 for each part of the examination requested by the applicant.

(3) The fee to be charged each applicant from another state who sits for the certified public accountant examination in California shall be a total of \$75.

(b) Commencing July 1, 2001, the fee to be charged each applicant for issuance of a certified public accountant certificate shall be \$200 \$250.

(c) The fee to be charged each applicant for registration, including applicant for registration under a new name as a partnership or as a corporation, shall be \$150.

(d)(1) Commencing August 3, 1998, the fee to be charged each applicant for the initial permit to practice as a partnership, a corporation, or a certified public accountant shall be \$50.

(2) Commencing July 1, 2000, the fee to be charged each applicant for the initial permit to practice as a partnership, a corporation, or a certified public accountant shall be \$200 unless subsection (h) applies.

(e)(1) Commencing August 3, 1998, the fee to be charged each applicant for renewal of a permit to practice as a partnership, a corporation, or a certified public accountant shall be \$50.

(2) Commencing July 1, 2000, the fee to be charged each applicant for renewal of a permit to practice as a partnership, a corporation, a public accountant, or a certified public accountant shall be \$200 unless subsection (h) applies.

(f) The fee for the processing and issuance of a duplicate copy of a certificate of licensure or registration shall be \$10.

(g) The fee for processing and issuance of a duplicate copy of a registration, or permit or other form evidencing licensure or renewal of licensure shall be \$2.

(h) By January 30, 2000, the Board shall conduct a review of its actual and estimated costs. Based on this review, the Board shall determine the appropriate level of fees for the initial permit to practice pursuant to subsection (d) and renewal of the permit to practice pursuant to subsection (e) in order to maintain the Board's contingent fund reserve balance at an amount equal to approximately three months of annual authorized expenditures. If the Board determines that fees of less than \$200 are indicated, the Board shall fix the fees by regulation at the indicated amounts by July 1, 2000.

Note: Authority cited: Sections 5010 and 5018, Business and Professions Code. Reference: Sections 122, 163 and 5134, Business and Professions Code.

Section 93. Unexpired Licenses.

(a) Permits issued to Certified Public Accountants or Public Accountants under these rules regulations expire at 12 midnight on the last day of the birth month of an odd numbered year if the licensee was born in an odd numbered year or of an even numbered year if the licensee was born in an even numbered year. Permit renewal is the responsibility of the licensee. To renew an unexpired permit, a certificate holder or registrant shall, before the time at which the permit would otherwise expire, apply for renewal on a form prescribed by the board Board, pay the renewal fee prescribed and give evidence to the board Board that the continuing education provisions of these regulations have been complied with. Renewal of an unexpired permit shall continue the permit in effect for the two-year renewal cycle ending in the licensee's birth month unless otherwise provided for in these regulations or the California Accountancy Act.

(b) Permits issued to accountancy partnerships or accountancy corporations under these regulations shall expire during the second year of a two-year renewal cycle at 12 midnight on the last day of the month in which the permit was initially issued. To renew an unexpired permit, the firm shall, before the time at which the permit would otherwise expire, apply for renewal on a form prescribed by the Board, pay the renewal fee, and give evidence to the Board that each partner of the partnership or shareholder of the corporation holds a valid license to practice or is a nonlicensee owner pursuant to Business and Professions Code Section 5079. Renewal of an unexpired permit shall continue the permit in effect for the two year renewal cycle unless otherwise provided for in these regulations or the California Accountancy Act.

Note: Authority cited: Section 5010, Business and Professions Code. Reference: Sections 152.6, 5070.5, 5079, and 5134, Business and Professions Code.

Section 98. Disciplinary Guidelines.

In reaching a decision on a disciplinary action under the Administrative Procedure Act (Government Code Section 11400 et seq.), the Board shall consider the disciplinary guidelines entitled "A Manual of Disciplinary Guidelines and Model Disciplinary Orders" (3rd edition, 1996) (4th edition, 2000) which are hereby incorporated by reference. Deviation from these guidelines and orders, including the standard terms of probation, is appropriate where the Board in its sole discretion determines that the facts of the particular case warrant such a deviation—for example: the presence of mitigating factors; the age of the case; evidentiary problems.

Note: Authority cited: Sections 5010 and 5018, Business and Professions Code; and ~~Sections~~ Section 11400.20 and 11400.21, Government Code. Reference: Sections 5018 and 5100, Business and Professions Code; and Section 11425.50(e), Government Code. ❖

Disciplinary Actions and Standard Probationary Terms

When the Board receives a complaint, an investigation is conducted. Information regarding a complaint generally is gathered by staff Investigative CPAs, often accompanied by a licensee's appearance before the Board's Administrative Committee. In some cases, information is gathered by the Department of Consumer Affairs Division of Investigation. Following this investigation, or for other reasons, a recommendation is made either to close the case for lack of evidence, or to refer the matter to the Attorney General for review and possible preparation of an accusation against the licensee or a statement of issues relating to the applicant.

The Board may revoke, suspend, or impose probation on a license for violation of applicable statutes or regulations. In addition to any case-specific terms of probation, the standard probationary terms include:

- Obey all federal, California, other state, and local laws, including those rules relating to the practice of public accountancy in California.
- Submit within 10 days of completion of the quarter, written reports to the Board on a form obtained from the Board. The respondent shall submit, under penalty of perjury, such other written reports, declarations, and verification of actions as are required. These declarations shall contain statements relative to respondent's compliance with all the terms and conditions of probation. Respondent shall immediately execute all release of information forms as may be required by the Board or its representatives.
- During the period of probation, appear in person at interviews or meetings as directed by the Board or its designated representative, provided such notification is accomplished in a timely manner.
- Comply with the terms and conditions of the probation imposed by the Board and cooperate fully with representatives of the Board in its monitoring and investigation of the respondent's compliance with probation terms and conditions.
- Be subject to, and permit a "practice investigation" of, the respondent's professional practice. Such a "practice investigation" shall be conducted by representatives of the Board, provided notification of such review is accomplished in a timely manner.
- Comply with all final orders resulting from citations issued by the California Board of Accountancy.
- In the event respondent should leave California to reside or practice outside this state, respondent must notify the Board in writing of the dates of departure and return. Periods of non-California residency or practice outside the state shall not apply to reduction of the probationary period, or of any suspension. No obligation imposed herein, including requirements to file written reports, reimburse the Board costs, or make restitution to consumers, shall be suspended or otherwise affected by such periods of out-of-state residency or practice, except at the written direction of the Board.
- If respondent violates probation in any respect, the Board, after giving respondent notice and an opportunity to be heard, may revoke probation and carry out the disciplinary order that was stayed. If an accusation or a petition to revoke probation is filed against respondent during probation, the Board shall have continuing jurisdiction until the matter is final, and the period of probation shall be extended until the matter is final.
- Upon successful completion of probation, respondent's license will be fully restored.

If charges are filed against a licensee, a hearing may be held before an independent administrative law judge who submits a proposed decision to be considered by the Board of Accountancy, or the matter may be settled. The Board may either accept the proposed decision or decide the matter itself. Please note that Board actions reported here may not be final. After the effective date of the Board's decision, the licensee may obtain judicial review of its decision. On occasion, a court will order a stay of the Board's decision or return the decision to the Board for reconsideration.

Copies of the accusations, decisions, and settlements regarding any of these disciplinary actions are available by sending a written request to: California Board of Accountancy, Attention: Disciplinary Actions, 2000 Evergreen Street, Suite 250, Sacramento, CA 95815-3832. Please state the licensee's name and license number, and allow approximately three weeks for each request.

Disciplinary Board Actions as of 7/21/00

Revocation of CPA Certificate

Name	Cause for Discipline	Code Violation(s) Charged
RAMSEY, JOHN F. San Leandro, CA (CPA 24779) Revocation of CPA Certificate, via default decision. Effective July 21, 2000	<p>On June 10, 1999, in the Alameda County Superior Court, Respondent was convicted after entering a plea of guilty to embezzlement and the sale of unlicensed securities.</p> <p>Respondent's convictions resulted from acts substantially related to the qualifications, functions and duties of a certified public accountant.</p> <p>On September 16, 1999, Respondent was sentenced to serve four years and eight months in state prison and was remanded to the California state prison at San Quentin.</p>	Business and Professions Code, Division 3, Chapter 1, § 5100 (a).
TATMAN, ELIZABETH ANN TUEY Mission Viejo, CA (CPA 28868) Revocation of CPA Certificate, via stipulated settlement. Effective July 21, 2000 Respondent may petition for reinstatement of the revoked license no earlier than two years from the effective date of the decision. Respondent is required to reimburse the Board \$10,341 for its investigation and prosecution costs, prior to filing a petition for reinstatement.	<p>For purposes of settlement, Respondent admits to the factual allegations set forth in Accusation AC-2000-1.</p> <p>This Accusation includes allegations that Respondent diverted a minimum of \$568,740, between 1986 to 1996, from the corporate funds of Howard & Tatman, an accountancy corporation, of which she was a 50 percent owner. Respondent falsified entries on the firm's financial records to conceal the diversions.</p> <p>On November 29, 1999, Respondent pleaded guilty to grand theft in the Orange County Superior Court. On March 10, 2000, Respondent was sentenced to one year in the Orange County Jail and ordered to make restitution to James D. Howard, CPA, in the amount of \$750,000.</p>	Business and Professions Code, Division 3, Chapter 1, § 5100 (a), (h), (i), and (j).

(Please see Disciplinary Actions, continued on page 17)

Disciplinary Definitions

Accusation

A formal document that notifies a licensee of the agency's charges against the licensee.

Cost Recovery

The licensee is ordered to pay the Board certain costs of investigation and prosecution including, but not limited to, attorney fees.

Default Decision

The licensee failed to file a Notice of Defense or has otherwise failed to request a hearing, object, or otherwise contest the accusation. The Board takes action without a hearing based on the accusation and documentary evidence on file.

Effective Date

The date the disciplinary decision becomes operative.

Probation

The licensee may continue to engage in activities for which licensure is required, under specific terms and conditions.

Revocation

The individual, partnership, or corporation is no longer licensed as a result of a disciplinary action.

Other Board Actions 7/21/00 Through 9/2/00

Name	Cause for Discipline	Code Violation(s) Charged
AGRESTI, MICHAEL L. Cerritos, CA (CPA 21159) Revocation stayed with three years' probation, via stipulated settlement. Effective September 1, 2000 Probation terms include: Respondent is required to reimburse the Board \$8,200 for its investigation and prosecution costs. Respondent shall take and pass, with a score of 90 percent or better, a Board-approved ethics examination within the first year of probation. Other standard terms and conditions of probation.	For purposes of this proceeding, Respondent admits the truth of the allegations contained in Accusation No. AC-2000-15. From 1991 through 1996, Respondent was Vice President of Finance of Lee Pharmaceuticals ("Lee"), a publicly-traded company that manufactures dental and cosmetic products. As Lee's Vice President of Finance, Respondent was responsible for preparing the entity's Securities and Exchange Commission (SEC) filings. The SEC determined that, for fiscal years 1991 through 1994, Lee failed to disclose contamination on its property and the fact that it was notified by the Environmental Protection Agency that it had been identified as a "Potentially Responsible Party" for contamination in the San Gabriel Valley. With respect to fiscal years 1991 through 1996, the SEC found that Lee failed to include an estimate of environmental liabilities and cleanup costs in its financial statements as required by generally accepted accounting principles. The SEC concluded that Respondent knew, or was reckless in not knowing, of the foregoing reporting and disclosure requirements. As the outcome of formal charges in public administration proceedings brought by the SEC against Lee, Respondent, and two other officers of the corporation, Respondent submitted his Offer of Settlement before the SEC on January 8, 1998. As part of the terms of the settlement, Respondent was denied the privilege of appearing or practicing before the SEC as an accountant for three years. Respondent also failed to notify the Board in writing of the suspension of his right to practice as a CPA before the SEC.	Business and Professions Code, Division 3, Chapter 1, §§ 5063 (a) and 5100 (g).

(Please see Disciplinary Actions, continued on page 18)

Disciplinary Definitions

Stayed

The action does not immediately take place and may not take place if the licensee complies with other conditions (such as a probation term).

Stipulation

The matter is negotiated and settled without going to hearing.

Suspension

The licensee is prohibited for a specific period of time from engaging in activities for which licensure is required.

Voluntary Surrender

The licensee has voluntarily surrendered the license. The individual, partnership, or corporation is no longer licensed. Surrender may also require certain conditions be met should the former licensee ever choose to reapply for licensure.

Other Board Actions 7/21/00 Through 9/2/00

Name	Cause for Discipline	Code Violation(s) Charged
<p>COLINA, JOSE M. Santee, CA (CPA 57246)</p> <p>Revocation stayed with three years' probation, via stipulated settlement. Effective July 21, 2000</p> <p>Probation terms include:</p> <p>Respondent shall, at his own expense, submit all work papers and reports for any audit, review, or compilation to another licensee for review prior to issuance.</p> <p>Respondent shall complete 40 hours of CPE as directed by the Board.</p> <p>Respondent is required to reimburse the Board \$3,400 for its investigation and prosecution costs.</p>	<p>For purposes of settlement, Respondent admits the truth of each and every allegation of Accusation AC-2000-20. The Accusation alleges that Respondent performed an audit for California Area Local #4635/American Postal Workers Union (APWU). The audit contained material departures from prescribed professional standards.</p> <p>The Accusation also charges Respondent with holding out as a CPA and engaging in public accounting practice, by performing an audit of the APWU and issuing an independent auditor's report in July 1997, at which time his CPA license was expired.</p> <p>Respondent also failed to notify the Board of a change of address.</p>	<p>Business and Professions Code, Division 3, Chapter 1, §§ 5050, 5055, 5062, 5100 (c) and (f); California Code of Regulations, Title 16, Division 1, §§ 3 and 58.</p>
<p>DEVOTO, DAVID W./DAVID W. DEVOTO ACCOUNTANCY CORPORATION Petaluma, CA (CPA 25615) (COR 2901)</p> <p>Revocation stayed with three years' probation, via stipulated settlement. Effective September 2, 2000</p> <p>Respondents' licenses are suspended as of the effective date of this decision, until both licenses are brought current with the appropriate continuing education.</p> <p>Respondent shall complete 24 hours of continuing education as specified by the Board or its designee.</p> <p>Respondents shall at all times maintain active licenses during the period of probation.</p> <p>Respondents are required to reimburse the Board \$9,700 for its investigation and prosecution costs.</p> <p>Other standard terms and conditions of probation.</p>	<p>Respondents admit to the charges contained in Accusation No. AC 2000-19. Respondents prepared a 1994 individual income tax return for a client in a grossly negligent manner.</p> <p>Respondents failed to report capital losses arising from the sale of investments that should have been afforded a stepped-up basis following the death of the client's spouse. The overall capital loss was underreported by \$126,323.</p> <p>Respondents also practiced public accountancy with expired licenses.</p>	<p>Business and Professions Code, Division 3, Chapter 1, §§ 5050, 5150, 5100 (c) and (f).</p>

(Please see Disciplinary Actions, continued on page 19)

Disciplinary Actions (continued from page 18)

Other Board Actions 7/21/00 Through 9/2/00

Name	Cause for Discipline	Code Violation(s) Charged
<p>IZABAL, ROBERTO San Francisco, CA (CPA 21613)</p> <p>Revocation stayed with three years' probation, via stipulated settlement. Effective July 21, 2000</p> <p>Probation terms require that Respondent have a peer review conducted no later than September 30, 2000.</p> <p>During the period of probation, all work papers and draft reports for audit and review engagements undertaken by Respondent or the firm of Izabal, Bernaciak and Co. shall be subject to review by another CPA, at Respondent's expense.</p> <p>In addition to the regular 80-hour CPE requirements, Respondent shall complete 24 hours of CPE, as directed by the Board or its designee.</p> <p>Respondent is required to reimburse the Board \$5,500 for its investigation and prosecution costs.</p> <p>Other standard terms and conditions of probation.</p>	<p>For purposes of this proceeding, Respondent admits the truth and accuracy of the allegations and charges in Accusation AC-2000-11. The Accusation alleges that Respondent performed two audits of a nonprofit organization that contained extreme departures from generally accepted auditing standards and government auditing standards.</p> <p>Respondent failed to document in the work papers compliance tests of laws and regulations as they relate to drug free workplace, administrative requirements, cash management, and federal financial reports (1995 audit only).</p> <p>Respondent also failed to document compliance tests of laws and regulations as they relate to specific requirements pertaining to the Head Start Program, and evidence of supervisory review. Respondent failed to compare the statement of expenditures incurred under federally-sponsored programs.</p> <p>In addition, Respondent failed to obtain sufficient competence evidential matter, written representation from the client's lawyer regarding litigation, claims, and assessments, and he failed to make required inquiries concerning the professional reputation and independence of the other auditor upon whose work the Respondent relied.</p>	<p>Business and Professions Code, Division 3, Chapter 1, § 5100 (c) and (f); California Code of Regulations, Title 16, Division 1, § 58.</p>

(Please see Disciplinary Actions, continued on page 20)

Other Board Actions 7/21/00 Through 9/2/00

Name	Cause for Discipline	Code Violation(s) Charged
<p>JOHNSON, JEANNIE I. Walnut Creek, CA (CPA 42658)</p> <p>Revocation stayed with four years' probation, via proposed decision. Effective September 2, 2000</p> <p>Respondent's CPA license is suspended for a period of 120 days commencing on the effective date of the Decision.</p> <p>Respondent is required to pay the Board \$7,540 for its investigation and prosecution costs.</p> <p>Respondent shall use engagement letters with each new client or engagement.</p> <p>Respondent shall take and pass a Board-approved ethics examination with a score of 90 percent or better. Respondent may not resume practice until proof of successful passage is provided to the Board.</p> <p>Respondent shall complete continuing education courses as specified by the Board or its designee. The courses shall be required in addition to the regular 80-hour renewal requirement.</p>	<p>On or about December 1, 1997, in the United States District Court, Central District of California, Respondent was convicted by a jury of mail fraud.</p> <p>Respondent was sentenced to 24 months in federal prison, ordered to pay restitution to the victim, and placed on probation for a period of three years after release from prison.</p> <p>In January 1996, Respondent became the interim controller of the Metropolitan Transportation Authority (MTA) as it was subsequently determined that MTA had insufficient staff to perform the required accounting services, Respondent contracted with several accountants to help provide such services. The accountants billed a subcontractor, which in turn billed a contractor, which in turn billed the MTA. The accountants contracted with Respondent for a lesser amount than was billed to the subcontractor as specified in a written agreement. Respondent's agreement with the accountants also required that each accountant remit the difference to Respondent. The MTA, its contractor and subcontractor claim that Respondent did not disclose this arrangement or the payments received from the accountants.</p>	<p>Business and Professions Code, Division 3, Chapter 1, §§ 490, 5100 (a), (c), (h), and (j).</p>
<p>KRAMER, STUART D. San Diego, CA (CPA 36758)</p> <p>Revocation stayed with three years' probation, via stipulated settlement. Effective September 1, 2000</p> <p>Respondent shall complete eight hours of ethics education.</p> <p>Respondent is required to reimburse the Board \$7,912 for its investigation and prosecution costs.</p> <p>Other standard terms and conditions of probation.</p>	<p>Respondent admits the truth of the allegations set forth in Accusation AC-2000-7. Respondent failed to prepare the 1996 income tax returns for a client prior to the tax deadlines.</p> <p>Respondent retained the client's tax records despite demands from the client. Respondent returned the records only after being issued a subpoena by the Department of Consumer Affairs, Division of Investigation.</p> <p>Respondent practiced public accountancy with an expired license, and he also used a fictitious name that had not been approved by the Board.</p> <p>Respondent failed to notify the Board of Accountancy in writing of his change of address.</p>	<p>Business and Professions Code, Division 3, Chapter 1, §§ 5037, 5050, 5060, 5100 (c) and (f); California Code of Regulations, Title 16, Division 1, §§ 3, 52.1, 67, and 68.</p>

(Please see Disciplinary Actions, continued on page 21)

Other Board Actions 7/21/00 Through 9/2/00

Name	Cause for Discipline	Code Violation(s) Charged
<p>KUEBLER, PETER F. Encinitas, CA (CPA 30546)</p> <p>Revocation stayed with three years' probation, via stipulated settlement. Effective July 21, 2000</p> <p>Probation terms include:</p> <p>60-day suspension of Respondent's CPA license, commencing on the effective date of the decision.</p> <p>Respondent is required to reimburse the Board \$5,000 for its investigation and prosecution costs.</p> <p>Other standard terms and conditions of probation.</p>	<p>For the purpose of this proceeding, Respondent admits the truth and accuracy of the allegations and charges contained in the Accusation.</p> <p>Respondent stipulates that he agreed, through a settlement, to discipline imposed by the Securities and Exchange Commission (SEC). Respondent further stipulates that, through settlement, he was barred from practice before the SEC for a period of four years.</p> <p>The SEC's order included findings that from at least July 1993 through January 1994, Peter Kuebler, (Vice President and Chief Financial Officer of Wilshire Technologies, Inc.), and other Wilshire officers were responsible for improperly recognizing sales contrary to generally accepted accounting principles. In turn, materially inflating earnings were reported in press releases and included in quarterly and annual reports filed with the SEC.</p> <p>In addition, Respondent omitted to state material facts to Wilshire's independent auditors in connection with their audit of Wilshire's 1993 financial statements.</p>	<p>Business and Professions Code, Division 3, Chapter 1, § 5100 (g).</p>
<p>MacCARTHY, BARRY PETER San Diego, CA (CPA 64186)</p> <p>Revocation stayed with three years' probation, via stipulated settlement. Effective July 21, 2000</p> <p>Probation terms include:</p> <p>Respondent shall, at his own expense, submit all work papers and draft reports relative to any audit engagement to an outside CPA for review.</p> <p>Respondent shall complete 24 hours of continuing professional education as directed by the Board or its designee.</p> <p>Respondent is required to reimburse the Board \$4,000 for its investigation and prosecution costs.</p> <p>Other standard terms and conditions of probation.</p>	<p>For purposes of settlement, Respondent admits to the factual allegations set forth in Accusation AC-2000-22. The accusation includes allegations that Respondent performed an audit of a nonprofit organization that contained extreme departures from generally accepted auditing standards and government auditing standards.</p> <p>Respondent failed to document in the work papers proper planning of the engagement, sufficient understanding of the internal control structure, assessed level of control risk, and he failed to document that the audit tests were actually performed.</p> <p>Respondent also failed to confirm receivables or payables, failed to indicate in the audit report the degree of responsibility that the auditor was taking with regard to supplementary information submitted in the audited financial statements, and he failed to modify his audit report for management's failure to make required disclosures.</p>	<p>Business and Professions Code, Division 3, Chapter 1, §§ 5062, 5100 (c) and (f); California Code of Regulations, Title 16, Division 1, § 58.</p>

(Please see Disciplinary Actions, continued on page 22)

Other Board Actions 7/21/00 Through 9/2/00

Name	Cause for Discipline	Code Violation(s) Charged
<p>MANCHANDIA, MAHESH R. Burbank, CA (CPA 67317)</p> <p>Revocation stayed with three years' probation, via stipulated settlement. Effective August 4, 2000</p> <p>Respondent shall be prohibited from performing audits, reviews, or attestation engagements during the period of probation. He may perform compilations during the period of probation, under the condition that all compilation reports and compiled financial statements be reviewed by another licensee prior to release.</p> <p>Completion of a Board-approved ethics examination, within one year of the effective date of the Decision.</p> <p>In addition to the 80 hours required for license renewal, Respondent shall complete 40 hours of continuing education courses.</p> <p>Respondent is required to reimburse the Board \$7,200 for its investigation and prosecution costs. Respondent may reduce the reimbursement amount to \$5,000 upon proof of completion of 30 hours of community service.</p> <p>Other standard terms and conditions of probation.</p>	<p>The accusation charges and for purposes of settlement, Respondent admits that he was grossly negligent in his performance of an audit and a compilation for Soft Touch International, Inc. for the periods ended April 30, 1998, and July 31, 1998, respectively. Both the audited and compiled financial statements for Soft Touch were included in a private offering memo sent to prospective investors. The audit and compilation contained material departures from prescribed professional standards.</p> <p>The auditor's report for the period ended April 30, 1998, departs from the generally accepted auditing standards. The work papers in support of the audit do not demonstrate adequate planning, Respondent's understanding of internal control, consideration of audit risk, or evaluation of subsequent events. Further, the work papers do not evidence that sufficient competent evidential matter was obtained in support of the reasonableness of carrying values of receivables, inventory, investments, and patents and trademarks.</p> <p>The compilation report issued by Respondent for the period ended July 31, 1998, failed to reference the relevant professional standards, included inaccurate reference to the reporting period, and failed to reference the entity's departure from generally accepted accounting statements. In addition, the compiled financial statements and accompanying notes contain inconsistencies and inaccuracies.</p>	<p>Business and Professions Code, Division 3, Chapter 1, §§ 5062, 5100 (c), (f), and (i); California Code of Regulations, Title 16, Division 1, § 58.</p>

ADDRESS CHANGE FORM

A separate change of address form must be submitted for each license type.

Please Print

Name of Licensee Individual (CPA/PA) - Lic. No. _____

_____	_____	_____
Last	First	Middle

Name of Firm ☐ Corporation ☐ Partnership ☐ Fictitious Name License No. _____

Firm Name

Address of Record

Be advised that your address of record is public information, and all Board correspondence will be sent to this address.

☐ Home ☐ Business (check one)

Business Name (if different from name above)

_____	_____
-------	-------

Street ☐ Apt. # ☐ Suite # (check one)

_____	_____	_____
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City State Zip

Other Address

Provide a street address if your address of record is a mail drop or a Post Office Box. This address will not be posted on the Web License Lookup.

☐ Home ☐ Business (check one)

_____	_____
-------	-------

Street ☐ Apt. # ☐ Suite # (check one)

_____	_____	_____
-------	-------	-------

City State Zip

Daytime Phone Number

_____	-	_____
Area Code		

Date of Birth

_____	_____	_____
Mo.	Day	Year

I certify the truth and accuracy of all of these statements and representations.

**Signature of Licensee,
Licensed Partner, or
Licensed Shareholder** _____

Date _____

Print your name _____

A licensee who fails to notify the California Board of Accountancy within 30 days of a change in his/her address of record may be subject to citation and fine (fines ranging from \$100-\$1000) under the California Code of Regulations, Title 16, Division 1, Sections 3 and 95.2.

The Board maintains a list of all licensees. This list is sold to requestors for mailing list purposes. Check here only if you do not want your name included on this list. ☐
Please Note: Your name and address of record is public information and can be accessed through our Web site at www.dca.ca.gov/cba.

Mail to: California Board of Accountancy, 2000 Evergreen Street, Suite 250, Sacramento, CA 95815-3832
or **FAX to:** (916) 263-3675

Board of Accountancy Directory

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License Status Check	(916) 263-3680
Also available on Board Web site.	
General Examination Questions	(916) 263-3953 or 263-3958
	Facsimile (916) 614-3253 <i>examinfo@cba.ca.gov</i>
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	Facsimile (916) 263-3673 <i>enforcementinfo@cba.ca.gov</i>
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Last name begins with:	
A-Ha	(916) 263-3946
He-O	(916) 263-3945
P-Z	(916) 263-3947
	Facsimile (916) 263-3676 <i>licensinginfo@cba.ca.gov</i>
Initial Licensing — Partnerships, Corporations, Fictitious Names:	(916) 263-3948
	Facsimile (916) 263-3676
Renewal for CPA/PA, Partnerships, Corporations, Continuing Education:	
Last name begins with:	
A-E	(916) 263-3934
F-K	(916) 263-3798
L-Q	(916) 263-3799
R-Z	(916) 263-3935
	Facsimile (916) 263-3672 <i>renewalinfo@cba.ca.gov</i>
Web Site Address	<i>www.dca.ca.gov/cba</i>
Web Page Master	<i>pagemaster@cba.ca.gov</i>

Department of Consumer Affairs
California Board of Accountancy
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